BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-405-C - ORDER NO. 2008-146

MARCH 6, 2008

IN RE: Application of Sterling Telecom, Inc. for a Certificate of Public Convenience and Necessity to Provide Local Exchange and Interexchange Service in South Carolina and for Flexible and Alternative Regulation	))))))	ORDER GRANTING CERTIFICATE AND APPROVING FLEXIBLE AND MODIFIED ALTERNATIVE REGULATION

This matter comes before the Public Service Commission of South Carolina ("Commission") by way of the Application of Sterling Telecom, Inc. ("Sterling" or the "Company") requesting a Certificate of Public Convenience and Necessity authorizing it to provide resold local exchange and interexchange telecommunications services within the State of South Carolina. The Company's Application was filed pursuant to S.C. Code Ann. §58-9-280 (Supp. 2007) and the rules and regulations of the Commission. By its Application, Sterling also requests flexible regulation of its local exchange service offerings pursuant to Order No. 98-165 in Docket No. 1997-467-C, alternative regulation of its business interexchange services consistent with Commission Orders, and waiver of certain Commission regulations.

The Commission's Docketing Department instructed Sterling to publish, one time, a Notice of Filing in newspapers of general circulation in the areas of the state affected by the Application. The purpose of the Notice of Filing was to inform interested

parties of the Application of Sterling and of the manner and time in which to file the appropriate pleadings for participation in the proceeding. Sterling complied with this instruction and provided the Commission with proof of publication of the Notice of Filing. A Petition to Intervene was filed by the South Carolina Telephone Coalition ("SCTC"). Subsequent to the intervention, Sterling and SCTC reached a Stipulation, attached hereto as Order Exhibit 1.

Subsequently, Sterling and ORS filed a Settlement Agreement attached hereto as Order Exhibit 2. A hearing was convened on February 11, 2008, at 10:00 a.m. in the offices of the Commission in Columbia, South Carolina, before David Butler, Hearing Examiner. Sterling was represented by Bonnie D. Shealy, Esquire. The Office of Regulatory Staff ("ORS") was represented by Shealy Boland Reibold, Esquire. The South Carolina Telephone Coalition did not appear at the hearing.

Terry Wisecup, Vice-President of Regulatory, testified in support of the Company's Application. The record reveals that Sterling is a corporation organized under the laws of the State of New York and that it is registered to transact business in South Carolina as a foreign corporation. According to Ms. Wisecup, the Company seeks authority as a reseller of local services and interexchange services. Ms. Wisecup explained the Company's request for authority, and the record further reveals the Company's services, operations, and marketing procedures. The Company intends to primarily offer services to small business customers and some residential customers. Ms. Wisecup also discussed Sterling's technical, financial, and managerial resources to provide the services for which it seeks authority. Ms. Wisecup offered that Sterling

possesses sufficient financial resources to support its operations in South Carolina.

With regard to management and technical capabilities, the Company's Application and Ms. Wisecup's testimony both evidence that Sterling's management has extensive experience in telecommunications, information technology, regulatory matters, and accounting and finance. Ms. Wisecup also testified that Sterling will operate in accordance with Commission rules, regulations, guidelines, and Commission Orders. Ms. Wisecup offered that approval of Sterling's Application would serve the public interest.

Ms. Wisecup, on behalf of the Company, requests a waiver of 26 S.C. Code Ann. Regs. 103-610, since the Company's books are maintained in New York. Further, the Company requests an exemption from record keeping policies that require maintenance of financial records in conformance with the Uniform System of Accounts ("USOA"). Sterling maintains its books in accordance with Generally Accepted Accounting Principles ("GAAP"). In addition, the Company requests that it not be required to publish local exchange directories and therefore requests waiver of 26 S.C. Code Ann. Regs. 103-631.

After consideration of the applicable law, the Company's Application, and the evidence presented at the hearing, the Commission hereby issues its findings of fact and conclusions of law:

FINDINGS OF FACT

1. Sterling is organized as a corporation under the laws of the State of New York, and is authorized to do business as a foreign corporation in South Carolina by the Secretary of State.

2. Sterling desires to operate as a provider of resold local and interexchange services in South Carolina.

3. We find that Sterling possesses the managerial experience and capability to operate as a provider, through resale, of local services and interexchange services in South Carolina.

4. We find, based on the financial statements submitted by the Company and the testimony at the hearing, that Sterling possesses sufficient financial resources to provide the services as described in its Application and testimony.

5. We find that the issuance of a Certificate of Public Convenience and Necessity to Sterling to operate as a reseller of local exchange telecommunications and interexchange services in South Carolina would be in the best interest of the citizens of South Carolina by providing more innovative services.

6. Sterling requests a waiver of 26 S.C. Code Ann. Regs. 103-610. The Commission finds Sterling's requested waiver reasonable and understands the potential difficulty presented to Sterling should the waiver not be granted. Further, we find that a waiver of 26 S.C. Code Ann. Regs. 103-610 to be in the public interest. We also believe that exemption from the policies that would require the Company to keep its records under the USOA is reasonable. Additionally, we find that a waiver of 26 S.C. Code Ann. Regs. 103-631 is reasonable and in the public interest.

7. The Company has the managerial, technical, and financial resources to provide the services as described in its Application. S.C. Code Ann. Section 58-9-280 (B) (1) (Supp. 2007).

8. The Commission finds that the Company's "provision of service will not adversely impact the availability of affordable local exchange service." S.C. Code Ann. Section 58-9-280 (B) (3) (Supp. 2007).

9. The Commission finds that the Company will support universally available telephone service at affordable rates. S.C. Code Ann. Section 58-9-280 (B) (4) (Supp. 2007).

10. The Commission finds that services to be provided by the Company will meet the service standards of the Commission. S.C. Code Ann. Section 58-9-280 (B) (2) (Supp. 2007).

11. The Commission finds that the provision of local exchange service by the Company "does not otherwise adversely impact the public interest." S.C. Code Ann. Section 58-9-280(B)(5) (Supp. 2007).

12. Following execution of a Stipulation with intervenor South Carolina Telephone Coalition ("SCTC"), the SCTC withdrew its opposition to the Application.

CONCLUSIONS OF LAW

1. The Commission concludes that Sterling possesses the managerial, technical, and financial resources to provide the telecommunications services as described in its Application.

2. The Commission concludes that Sterling will participate in the support of universally available telephone service at affordable rates to the extent that Sterling may be required to do so by the Commission.

3. The Commission concludes that Sterling will provide services which will meet the service standards of the Commission.

4. The Commission concludes that approval of Sterling's Application to provide intrastate telecommunications services within South Carolina will serve the public interest by providing for efficient use of existing telecommunications resources.

5. The Commission concludes that the provision of telecommunications service by Sterling will not adversely impact the public interest.

6. The Commission concludes that the issuance of the authority to provide intrastate local exchange and interexchange telecommunications services as requested by Sterling and as set forth in its Application and Ms. Wisecup's testimony is in the best interests of the citizens of the State of South Carolina.

7. The Commission concludes that a Certificate of Public Convenience and Necessity should be granted to Sterling to provide resold intrastate local exchange telecommunications services and intrastate interexchange telecommunications services.

8. The Commission adopts a rate design for Sterling for its residential interexchange services which include maximum rate levels for each tariff charge. A rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels has been previously adopted by the Commission. *In Re: Application of GTE Sprint Communications Corporation, etc.,* Order No. 84-622, issued in Docket No. 84-10-C (August 2, 1984).

9. Sterling shall not adjust its residential interexchange rates for end-users below the approved maximum level without notice to the Commission and to the public.

Sterling shall file its proposed rate changes, publish its notice of such changes, and file affidavits of publication with the Commission two weeks prior to the effective date of the changes. However, the public notice requirement is waived, and therefore not required, for reductions below the maximum cap in instances which do not affect the general body of subscribers or do not constitute a general rate reduction. *In Re: Application of GTE Sprint Communications, etc.*, Order No. 93-638, issued in Docket No. 84-10-C (July 16, 1993). Any proposed increase in the maximum rate level for residential interexchange services reflected in the tariff which would be applicable to the general body of the Company's subscribers shall constitute a general ratemaking proceeding and will be treated in accordance with the notice and hearing provisions of S.C. Code Ann. §58-9-540 (Supp.2007).

10. The Commission concludes that Sterling's intrastate interexchange business telecommunications services shall be regulated in accordance with the principles and procedures established for alternative regulation of business service offerings set out in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C. The Commission has previously granted this "alternative regulation" to competitive intrastate interexchange carriers operating within South Carolina, and the Commission concludes that the competitive marketplace requires the Commission to allow this flexible regulation to those carriers which request it. Specifically, the Commission-approved alternative regulation allows business service offerings, including consumer card services and operator services, to be subject to a relaxed regulatory scheme identical to that granted to AT&T Communications in Order Nos. 95-1734 and 96-55 in Docket No. 95-661-C.

However, pursuant to Order No. 2001-997 (Docket No. 2000-407-C), this Commission has modified alternative regulation by the re-imposition of rate caps with regard to certain "operator-assisted calls" where a customer uses a local exchange carrier's calling card to complete calls from locations which have not selected that local exchange carrier as the toll provider. Order No. 2001-997, dated November 8, 2001, imposed a maximum cap of $1.75 for operator surcharges for such calls, and a maximum cap of $0.35 related to the flat per-minute rate associated with these calls. Under this relaxed regulatory scheme, tariff filings for business services shall be presumed valid upon filing.

If an investigation of a particular tariff filing is instituted within seven days of the filing date, the tariff filing will then be suspended until further Order of the Commission. If an investigation is instituted on a particular tariff filing, notice of the investigation will be provided to the person or entity making the tariff filing and to the Commission. The notice is timely if dated within seven days of the filing date.

11. The Commission concludes the Company's local exchange telecommunications services shall be regulated in accordance with the principles and procedures established for flexible regulation first granted to NewSouth Communications by Order No. 98-165 in Docket No. 97-467-C. Specifically, the Commission adopts for the Company's competitive intrastate local exchange services a rate structure incorporating maximum rate levels with the flexibility for adjustment below the maximum rate levels approved by the Commission. Further, the Company's local exchange service tariff filings are presumed valid upon filing. An investigation of the

tariff filing may be instituted within 30 days of the tariff filing, in which case the tariff filing would be suspended pending further Order of the Commission. If an investigation is instituted on a particular tariff filing, notice of the investigation will be provided to the person or entity making the tariff filing and to the Commission. The notice is timely if dated within thirty days of the filing date. Further, any such tariff filings will be subject to the same monitoring process as similarly situated local exchange carriers.

12. We conclude that Sterling's request for waiver of 26 S.C. Code Ann. Regs. 103-610 should be granted, since strict compliance with the regulation potentially causes undue hardship on that Company. We also grant exemption from the policies requiring the use of USOA. In addition, we grant waiver of 26 S.C. Code Ann. Regs. 103-631, which requires publication of a local telephone directory.

13. The Stipulation and Settlement Agreement between the various parties should be approved.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. A Certificate of Public Convenience and Necessity should be granted to Sterling to provide intrastate interexchange service through the resale of services authorized for resale by tariffs of carriers approved by the Commission, as well as to provide resold local exchange telecommunications services within the State of South Carolina.

2. The Company's rate designs for its products shall conform to those designs described in Conclusions of Law above.

3. If it has not already done so by the date of issuance of this Order, Sterling shall file its revised tariff, if any, and an accompanying price list for any applicable rates within thirty (30) days of receipt of this Order. The revised tariff should be electronically filed in a text searchable PDF format using the Commission's DMS System (http://dms.psc.sc.gov). An additional copy should be sent via email to etariff@psc.sc.gov to be included in the Commission's ETariff System (http://etariff.psc.sc.gov). Future revisions to the tariff should be made using the ETariff System. The filed tariff shall be consistent with the findings of this Order and shall be consistent with the Commission's Rules and Regulations, as well as the provisions of the Sterling-ORS Settlement Agreement.

4. The Company's service is subject to access charges pursuant to Commission Order No. 86-584, in which the Commission determined that for access purposes resellers and facilities-based interexchange carriers should be treated similarly.

5. With regard to the Company's resale of service, an end-user should be able to access another interexchange carrier or operator service provider if the end-user so desires.

6. Sterling shall resell the services of only those interexchange carriers or LECs authorized to do business in South Carolina by this Commission. If Sterling changes underlying carriers, it shall notify the Commission in writing.

7. With regard to the origination and termination of toll calls within the same LATA, Sterling shall comply with the terms of Order No. 93-462, Order Approving Stipulation and Agreement, in Docket Nos. 92-182-C, 92-183-C, and 92-200-C (June 3,

1993), with the exception of the 10-XXX intraLATA dialing requirement, which has been rendered obsolete by the toll dialing parity rules established by the FCC pursuant to the Telecommunications Act of 1996 (47 C.F.R. § 51.209). Specifically, Sterling shall comply with the imputation standard as adopted by Order No. 93-462 and more fully described in paragraph 4 of the Stipulation and Appendix B approved by Order No. 93-462.

8. Sterling shall file annual financial information in the form of annual reports and gross receipts reports as required by the Commission. The annual report and the gross receipt report will necessitate the filing of intrastate information. Therefore, Sterling shall keep financial records on an intrastate basis for South Carolina to comply with the annual report and gross receipts filings. The proper form for filing annual financial information can be found at the ORS's website at www.regulatorystaff.sc.gov. The title of this form is "Telecommunications Company Annual Report." This form shall be utilized by the Company to file annual financial information with the Commission and ORS and shall be filed no later than **April 1st**.

Commission gross receipts forms are due to be filed with the Commission and ORS no later than **August 31st** of each year. The proper form for filing gross receipts information can be found at the ORS's website at www.regulatorystaff.sc.gov, and the appropriate form is entitled "Gross Receipts Form."

Each telecommunications company certified in South Carolina is required to file annually with the ORS the Intrastate Universal Service Fund ("USF") worksheet, which may be found on the ORS's website at www.regulatorystaff.sc.gov. This worksheet

provides ORS the information required to determine each telecommunications company's liability to the State USF fund. The Intrastate USF worksheet is due to be filed annually no later than **July 1st** with the Commission and ORS.

9. The Company shall, in compliance with Commission regulations, designate and maintain an authorized utility representative who is prepared to discuss, on a regulatory level, customer relations (complaint) matters, engineering operations, tests, and repairs. In addition, the Company shall provide to the Commission and ORS in writing the name of the authorized representative to be contacted in connection with general management duties as well as emergencies which occur during non-office hours. Sterling shall file the names, addresses, and telephone numbers of these representatives with the Commission within thirty (30) days of receipt of this Order. The "Authorized Utility Representative Information" form can be found at the Commission's website at www.psc.sc.gov/forms.asp; this form shall be utilized for the provision of this information to the Commission and ORS. Further, the Company shall promptly notify the Commission and ORS in writing if the representatives are replaced.

10. The Company is directed to comply with all Rules and Regulations of the Commission, unless a regulation is specifically waived by the Commission.

11. At the hearing, Sterling requested a waiver of 26 Code Ann. Regs. 103-610 (Supp. 2007), which requires that records required by the Commission's Rules and Regulations be maintained in South Carolina. The Commission finds Sterling's requested waiver reasonable and understands the potential difficulty presented to Sterling should the waiver not be granted. The Commission therefore grants the requested waiver.

However, Sterling shall make available its books and records at all reasonable times upon request by the Office of Regulatory Staff, and Sterling shall promptly notify the Commission and ORS if the location of its books and records changes.

12. Sterling also requests that it be exempt from record keeping policies that require a carrier to maintain its financial records in conformance with the Uniform System of Accounts. The USOA was developed by the FCC as a means of regulating telecommunications companies subject to rate base regulation. As a competitive carrier, Sterling maintains its book of accounts in accordance with Generally Accepted Accounting Principles. GAAP is used extensively by interexchange carriers and other competitive telecommunications carriers. Accordingly, Sterling requests an exemption from the USOA requirements. We grant the Company's request for the reasons stated above.

13. In the event that Sterling offers or provides any service that would implicate Title 23, Chapter 47 of the South Carolina Code Annotated, Sterling is required to comply with that Title and Chapter, which governs the establishment and implementation of a "Public Safety Communications Center," which is more commonly known as a "911" system or "911 service." Services available through a 911 system include law enforcement, fire, and emergency medical services. In recognition of the necessity of quality 911 services being provided to the citizens of South Carolina, in the event Sterling offers or provides the appropriate services, the Commission hereby instructs Sterling to contact the appropriate authorities regarding 911 service in the counties and cities where the Company will be operating. Contact with the appropriate

911 service authorities is to be made before beginning local telephone service in South Carolina. Accompanying this Order is a memorandum from the State 911 Office of the Office of Research & Statistics of the South Carolina Budget and Control Board. This memorandum provides information about contacting County 911 Coordinators. By this Order and prior to providing local telephone services in South Carolina, Sterling shall contact the 911 coordinator in each county (and city where the city has its own 911 system) and shall provide information regarding the Company's operations as required by the 911 system.

14. The Stipulation and Settlement Agreement between the various parties are hereby approved.

15. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton

G. O'Neal Hamilton, Chairman

ATTEST:

C. Robert Moseley

C. Robert Moseley, Vice Chairman

(SEAL)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

Docket No. 2007-405-C

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SC PUBLIC SERVICE COMMISSION

Re: Application of Sterling Telecom, Inc. for a Certificate of Public Convenience and Necessity to Provide Resold Interexchange and Local Exchange Telecommunications Services in the State of South Carolina	))))))

STIPULATION

The South Carolina Telephone Coalition ("SCTC") (see attachment "A" for list of companies) and Sterling Telecom, Inc. ("Sterling Telecom") hereby enter into the following stipulations. As a consequence of these stipulations and conditions, SCTC does not oppose Sterling Telecom's Application. SCTC and Sterling Telecom stipulate and agree as follows:

1. SCTC does not oppose the granting of a statewide Certificate of Public Convenience and Necessity to Sterling Telecom, provided the South Carolina Public Service Commission ("Commission") makes the necessary findings to justify granting of such a certificate, and provided the conditions contained within this stipulation are met.

2. Sterling Telecom stipulates and agrees that any Certificate which may be granted will authorize Sterling Telecom to provide service only to customers located in non-rural local exchange company ("LEC") service areas of South Carolina, except as provided herein.

3. Sterling Telecom stipulates that it is not asking the Commission to make a finding at this time regarding whether competition is in the public interest for rural areas.

4. Sterling Telecom stipulates and agrees that it will not provide any local service, by its own facilities or otherwise, to any customer located in a rural incumbent LEC's service area, unless and until Sterling Telecom provides such rural incumbent LEC and the Commission with written notice of its intent to do so at least thirty (30) days prior to the date of the intended service. During

such notice period, the rural incumbent LEC will have the opportunity to petition the Commission to exercise all rights afforded it under Federal and State law. Also, Sterling Telecom acknowledges that the Commission may suspend the intended date for service in rural LEC territory for ninety (90) days while the Commission conducts any proceeding incident to the Petition or upon the Commission's own Motion, provided that the Commission can further suspend the implementation date upon showing of good cause.

5. Sterling Telecom stipulates and agrees that, if Sterling Telecom gives notice that it intends to serve a customer located in a rural incumbent LEC's service area, and either (a) the Commission receives a Petition from the rural incumbent LEC to exercise its rights under Federal or State law within such 30-day period, or (b) the Commission institutes a proceeding of its own, then Sterling Telecom will not provide service to any customer located within the service area in question without prior and further Commission approval.

6. Sterling Telecom acknowledges that any right which it may have or acquire to serve a rural telephone company service area in South Carolina is subject to the conditions contained herein, and to any future policies, procedures, and guidelines relevant to such proposed service which the Commission may implement, so long as such policies, procedures, and guidelines do not conflict with Federal or State law.

7. The parties stipulate and agree that all rights under Federal and State law are reserved to the rural incumbent LECs and Sterling Telecom, and this Stipulation in no way suspends or adversely affects such rights, including any exemptions, suspensions, or modifications to which they may be entitled.

8. Sterling Telecom agrees to abide by all State and Federal laws and to participate, to the extent it may be required to do so by the Commission, in the support of universally available telephone service at affordable rates.

9. Sterling Telecom hereby amends its application and its prefiled testimony in this docket to the extent necessary to conform with this Stipulation.

AGREED AND STIPULATED to this 21st day of December, 2007.

Sterling Telecom, Inc.

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Attorneys for the South Carolina Telephone Coalition

ATTACHMENT A

South Carolina Telephone Coalition Member Companies
for Purposes of Local Service Stipulation

ALLTEL South Carolina, Inc.

Chesnee Telephone Company

Chester Telephone Company

Farmers Telephone Cooperative, Inc.

Ft. Mill Telephone Company

Home Telephone Company, Inc.

Lancaster Telephone Company

Lockhart Telephone Company

McClellanville Telephone Company

Norway Telephone Company

Palmetto Rural Telephone Cooperative, Inc.

Piedmont Rural Telephone Cooperative, Inc.

Pond Branch Telephone Company

Ridgeway Telephone Company

Rock Hill Telephone Company

Sandhill Telephone Cooperative, Inc.

St. Stephen Telephone Company

West Carolina Rural Telephone Cooperative, Inc.

Williston Telephone Company

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-405-C

In Re:	)	
Application of Sterling Telecom, Inc.	)	
for a Certificate of Public Convenience	)	
and Necessity to Provide Resold Local	)	**SETTLEMENT AGREEMENT**
Exchange and Interexchange	)	
Telecommunication Services in South	)	
South Carolina and for Flexible and	)	
Alternative Regulation	)	

This Settlement Agreement ("Settlement Agreement") is made by and among the Office of Regulatory Staff ("ORS") and Sterling Telecom, Inc. ("Sterling" or "the Company") (collectively referred to as the "Parties" or sometimes individually as "Party");

WHEREAS, on November 13, 2007, Sterling filed its Application requesting (i) a Certificate of Public Convenience and Necessity be granted authorizing Sterling to provide resold local exchange and interexchange telecommunications services throughout the State of South Carolina; (ii) alternative regulation of its interexchange business services, consumer card services, operator services, and private line services consistent with Orders 95-1734 and 96-55 in Docket No. 95-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C; (iii) flexible regulation for its local exchange telecommunications services consistent with Order No. 98-165 in Docket No. 97-467-C; (iv) for waiver of certain Commission Regulations, specifically Regulations 103-610 regarding location of records and 103-631 concerning publishing and distributing local exchange directories; and (v) a waiver of any requirement to maintain financial records in conformance with the Uniform System of Accounts ("USOA");

WHEREAS, on November 20, 2007, counsel for ORS entered a Notice of Appearance in this matter;

WHEREAS, on November 26, 2007, Sterling filed Supplemental Exhibit D to its application;

WHEREAS on November 27, 2007, the Commission issued a Notice of Filing and Hearing and established a return date of December 28, 2007, for the filing of letters of protest or petitions to intervene and established a hearing date of February 11, 2007 for the application to be heard before a hearing examiner;

WHEREAS, on December 12, 2007, the Commission issued its Order No. 2007-841 by which the Commission appointed David Butler, Esquire as the Hearing Examiner in this matter;

WHEREAS, on December 17, 2007, the South Carolina Telephone Coalition ("SCTC") filed a Petition to Intervene in this docket;

WHEREAS, on December 20, 2007, Sterling pre-filed the direct testimony of Terry Wisecup with the Commission;

WHEREAS, on January 4, 2008, the SCTC filed with the Commission a Stipulation between the SCTC and Sterling;

WHEREAS, the purpose of this proceeding is to evaluate the application filed by Sterling and its requests (i) for a Certificate of Public Convenience and Necessity to provide resold local exchange and interexchange telecommunications services within the State of South Carolina; (ii) for alternative regulation of its interexchange business services, consumer card services, operator services, and private line services consistent with Orders 95-1734 and 96-55 in Docket No. 95-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C; (iii) for flexible regulation for its local exchange telecommunications services consistent with Order No. 98-165

in Docket No. 97-467-C; (iv) for waiver of certain Commission Regulations, specifically Regulations 103-610 regarding location of records and 103-631 concerning publishing and distributing local exchange directories; and (v) for waiver of any requirement to maintain financial records in conformance with the USOA;

WHEREAS, since the filing of the notice, ORS has performed an evaluation of the technical, managerial, and financial expertise of Sterling to provide the services requested in the Application;

WHEREAS, ORS has examined the Application and the financial data provided by the Sterling, and ORS has calculated certain performance ratios based upon information provided by the Company;

WHEREAS, ORS has investigated the services to be offered by Sterling and its intended customer service plans;

WHEREAS, ORS has reviewed the proposed tariffs submitted by Sterling;

WHEREAS, ORS has reviewed the prefiled testimony of Terry Wisecup;

WHEREAS, as a result of its investigations, ORS has determined (a) Sterling intends to offer resold local and long-distance telecommunications services such as residential and business local exchange services, switched outbound ("1 +" dialing), toll-free service, directory assistance services, and operator services; (b) the officers of Sterling possess sufficient technical and managerial abilities to adequately provide the services applied for; (c) based upon the information provided and the analysis performed, Sterling appears to have access to sufficient financial resources necessary to provide the services proposed in its application; (d) Sterling's proposed tariffs with the amendments as agreed to in this Settlement Agreement comply with Commission statutes and regulations; (e) the services provided by Sterling will meet the service

standards required by the Commission; (f) the provision of services by Sterling will not adversely impact the availability of affordable telecommunications services; (g) to the extent it is required to do so by the Commission, Sterling will participate in the support of universally available telephone service at affordable rates; and (h) the provision of services by Sterling will not adversely impact the public interest;

WHEREAS, to ensure compliance with the Commission's statutes and regulations, the Parties have agreed to the following comprehensive settlement of all issues in this docket;

WHEREFORE, in the spirit of compromise, the Parties hereby stipulate and agree to the following terms and conditions:

1) The Parties agree that Sterling's Application and exhibits to the Application are incorporated into this Settlement Agreement and made a part hereof;

2) The Parties agree to stipulate into the record before the Commission this Settlement Agreement. The Parties also agree to stipulate to the pre-filed testimony of Sterling's witness Terry Wisecup without cross-examination by ORS;

3) Sterling has submitted financial data, which was provided as Exhibit D and Supplemental Exhibit D to Sterling's Application and which financial data is incorporated by reference;

4) The Parties agree that Sterling should be granted a Certificate of Public Convenience and Necessity to provide resold local exchange and interexchange telecommunications services within the state of South Carolina;

5) Sterling has requested a waiver of 26 S.C. Code Ann. Regs. 103-610 concerning the location of books and records. However, S.C. Code Ann. §58-9-380 (Supp. 2006) provides that:

> Each telephone utility shall have an office in one of the counties of this State in which its property or some part thereof is located and shall keep in such office all such books, accounts, papers and records as shall reasonably be required by the Office of Regulatory Staff. No books, accounts, papers or records required by the ORS to be kept within the State shall be removed at any time from the State except upon such conditions as may be prescribed by the Office of Regulatory Staff.

ORS is agreeable to allowing Sterling to maintain its books and records outside of the State of South Carolina in exchange for Sterling agreeing to provide access to its books and records. ORS is agreeable to Sterling maintaining its books and records at its principal offices in the State of New York, and Sterling agrees to notify the ORS of any change in the location of the principal office or in the location where the books and records are maintained. This provision of the Settlement Agreement shall not be construed as a waiver by ORS of S.C. Code Ann. § 58-4-55 (Supp. 2006) or § 58-9-1070 (Supp. 2006). ORS expressly reserves its rights to require the production of books, records and other information located within or outside of the State of South Carolina in order to carry out its duties and compliance with any state or federal regulation;

6) ORS does not oppose Sterling's request for waiver of 26 S.C. Code Ann. Regs. 103-631 which requires the publication and distribution of directories, and Sterling agrees to make arrangements with publishers of local directories in South Carolina to include the names and telephone numbers of Sterling's subscribers and customers in local directories, unless a subscriber indicates his/her desire for an unpublished telephone number;

7) Sterling has requested a waiver of any rule or regulation that might require a carrier to maintain its financial records in conformance with the Uniform System of Accounts ("USOA"). Sterling acknowledges that S.C. Code Ann. § 58-9-340 (Supp. 2006) provides that the ORS may, in its discretion and subject to the approval of the Commission, prescribe systems

of accounts to be kept by telephone utilities subject to the commission's jurisdiction and that the ORS may prescribe the manner in which the accounts shall be kept and may require every telephone utility to keep its books, papers, and records accurately and faithfully according to the system of accounts as prescribed by the ORS. Sterling agrees to keep its books, papers, and records in such a manner that permits ORS to examine its revenues and expenses for compliance with programs such as but not limited to the Universal Service Fund ("USF") and the Interim LEC Fund, dual party relay service fund, and gross receipts. Sterling agrees to complete the reporting forms for such programs as but not limited to USF, dual party relay service fund, Interim LEC, and gross receipts as may be required by the ORS of telecommunications companies certificated to operate within South Carolina and as the reporting forms may be amended from time to time;

8) ORS does not oppose Sterling's requests (a) for flexible regulation for its local telecommunications service offerings consistent with Order No. 98-165 in Docket No. 97-467-C, such flexible regulation including specifically (i) adoption of a competitive rate structure incorporating maximum rate levels with the flexibility for rate adjustment below the maximum rate levels and (ii) presumptively valid tariff filings upon filing subject to an investigation of such tariff filing being instituted within thirty (30) days and (b) for alternative regulation of its interexchange business services, consumer card services, operator services, and private line service offerings consistent with the procedures described and set forth in Orders 95-1734 and 96-55 in Docket No. 95-661-C as modified by Order No. 2001-997 in Docket No. 2000-407-C, specifically (i) regulation of these services listed above in the same manner as these services are regulated for AT&T Communications of the Southern States, Inc., (ii) removal of the maximum rate tariff requirements for Sterling's business services, private line, and customer network-type

offerings, except in instances governed by Order No. 2001-997 which reinstituted maximum rates for surcharges and rates associated with certain intrastate operator-assisted calls; (iii) presumptively valid tariff filings for these interexchange services unless an investigation of a particular filing is instituted within seven (7) days, in which case the tariff filing will be suspended until resolution of the investigation or until further order of the Commission; and (iv) grant Sterling the same treatment as AT&T Communications of the Southern States, Inc. in connection with any future relaxation of reporting requirements;

9) Sterling agrees to resell the services only of those local exchange providers or interexchange carriers authorized to do business in South Carolina by the Commission. Sterling agrees to notify ORS and the Commission, in writing, of its underlying interexchange carriers and if Sterling changes its underlying interexchange carriers;

10) Sterling agrees that it will allow an end-user of resold services to access an alternative interexchange carrier or operator service provider if the end-user expresses such a desire;

11) Sterling agrees to file necessary financial and/or other information with the ORS and the Commission for universal service fund reporting, dual party relay service fund reporting, interim LEC fund reporting, annual reporting, gross receipts reporting, and/or any other reporting which may now or in the future be applicable to telecommunications providers such as Sterling. The Parties agree that such reports shall be filed pursuant to ORS' instructions and monies shall be remitted in accordance with the directions of the ORS and the Commission.

12) Sterling agrees to maintain its books and records in a manner that would permit ORS to examine any of Sterling's reports filed with the Commission and provided to ORS.

13) Sterling agrees to file with the Commission and ORS a completed authorized utility representative form within thirty (30) days of the Commission's order.

14) It is understood Sterling will not initially offer prepaid calling card services. In the event that Sterling in the future offers or provides such a service, Sterling agrees that it shall post a surety bond or certificate of deposit for prepaid calling card services in the amount of $5,000 as required by the Commission;

15) In the event that Sterling offers local and long distance services to end users, Sterling agrees to comply with the verification regulations governing change of preferred carriers as established by Federal Communications Commission ("FCC"). In addition, in the event that Sterling offers local and long distance services to end users, Sterling agrees to comply with the marketing practices and guidelines established by the Commission in Order No. 95-658;

16) Sterling agrees to comply with South Carolina Code Section § 58-9-300 entitled "Abandonment of Service." Additionally, to the extent applicable, Sterling agrees to adhere to the FCC's rule 47 C.F.R. § 64.1190 and 64.1130 regarding preferred carrier freezes and the requirement that the form of the written authorization for the institution of the freeze be a separate or easily separable document. Prior to abandonment of service, Sterling shall remove any preferred carrier freeze so as to enable consumers to seamlessly transfer their telephone numbers to another provider;

17) To the extent necessary, Sterling agrees to engage in good faith negotiations with non-AT&T incumbent local exchange carriers whose networks interconnect with AT&T at the same local tandem regarding traffic exchange;

18) Sterling agrees to comply with Title 23, Chapter 47 of the South Carolina Code Annotated, which governs the establishment and implementation of a "Public Safety

Communications Center," also known as 911 services." Sterling agrees to contact the appropriate authorities regarding 911 services in the counties and cities where Sterling will be operating prior to initiating local service in South Carolina and shall provide the 911 coordinator in each county and/or city with information regarding Sterling's operations. Attached as Exhibit 1 to this Settlement Agreement is a memorandum from the State 911 Office which provides contact information for the County 911 Coordinators;

19) Sterling agrees to comply with all rules and regulations of the Commission unless the Commission has expressly waived such rule or regulation;

20) Sterling agrees to file a final revised tariff with both the ORS and the Commission and the revised tariff shall reflect and be in accordance with ORS' recommendations as set forth in the summary attached as Exhibit 2 to this Settlement Agreement.

21) ORS is charged by law with the duty to represent the public interest of South Carolina pursuant to S.C. Code § 58-4-10 (B). S.C. Code § 58-4-10(B)(1) through (3) read in part as follows:

> ...'public interest' means a balancing of the following:
>
> (1) concerns of the using and consuming public with respect to public utility services, regardless of the class of customer;
> (2) economic development and job attraction and retention in South Carolina; and
> (3) preservation of the financial integrity of the State's public utilities and continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services.

ORS believes the Settlement Agreement reached among the Parties serves the public interest as defined above;

22) The Parties agree to advocate that the Commission accept and approve this Settlement Agreement in its entirety as a fair, reasonable and full resolution of all issues in the

above-captioned proceeding and that the Commission take no action inconsistent with its adoption. The Parties further agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission. The Parties agree to use reasonable efforts to defend and support any Commission order issued approving this Settlement Agreement and the terms and conditions contained herein.

23) The Parties agree that signing this Settlement Agreement will not constrain, inhibit, impair or prejudice their arguments or positions held in other collateral proceedings, nor will it constitute a precedent or evidence of acceptable practice in future proceedings. If the Commission declines to approve the Settlement Agreement in its entirety, then any Party desiring to do so may withdraw from the Settlement Agreement in its entirety without penalty or obligation.

24) This Settlement Agreement shall be interpreted according to South Carolina law. The above terms and conditions fully represent the agreement of the Parties hereto. Therefore, each Party acknowledges its consent and agreement to this Settlement Agreement by affixing its signature or by authorizing counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any party. This document may be signed in counterparts, with the original signature pages combined with the body of the document constituting an original and provable copy of this Settlement Agreement. The Parties agree that in the event any Party should fail to indicate its consent to this Settlement Agreement and the terms contained herein, then this Settlement Agreement shall be null and void and will not be binding on any Party.

WE AGREE:

Representing the Office of Regulatory Staff

Shealy Boland Reibold

1/14/08
Date

Shealy Boland Reibold, Esquire
Office of Regulatory Staff
1441 Main Street, Suite 300
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WE AGREE:

Representing Sterling Telecom, Inc.

Bonnie D. Shealy

January 14, 2008
Date

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STATE OF SOUTH CAROLINA
State Budget and Control Board
OFFICE OF RESEARCH & STATISTICS

EXHIBIT 1

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Bobby Bowers
DIRECTOR

August 2, 2004

To: Telephone Companies New to South Carolina

In an effort to continue providing quality emergency services to the citizens of South Carolina, the State 911 Office requests that before beginning telephone services in a county, you contact the 911 Coordinator in that county. This will allow both parties to obtain important information about providing 911 services in that county. If you have already begun services, then contact the coordinator as soon as possible.

A list of County 911 Coordinators can be found on the South Carolina E911 homepage at www.ors.state.sc.us/digital/E-911.ASP. If you have any questions related to 911 in South Carolina, you may contact E911 Coordinations at the Office of Research and Statistics at 803-734-3883. The person responsible for this can also be found on the 911 homepage. Please be aware that some cities may have their own E911 systems, these are also listed on the 911 homepage. These city coordinators will need to be contacted in addition to the county coordinators.

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Sterling Telecom, Inc. has agreed to incorporate the following changes in the tariffs filed with its application.

Recommendations for Sterling Telecom's Tariff No. 1

Preface Section

Original Title Page—The Company should include a Regulatory and/or Customer Service Contact Person as well as Phone Number and/or email address.

Section 1 Definitions

Original Page 2—The Company should add the following Definition-- "Commission—The South Carolina Public Service Commission"

Original Page 4—The Company should add the following Definition-- "ORS—The South Carolina Office of Regulatory Staff."

Section 2 Regulations

Original Page 2 2.1.C—The Company should modify the paragraph as follows-- "At the end of the initial term specified in each Service Order, or in any extension thereof, service shall continue on a month to month basis at the then current rates unless terminated by the Company upon 30 days written notice. The Customer may terminate service upon 30 days oral or written notice **(SC Reg. 103-624.3)**. Any termination shall not relieve the Customer of its obligation to pay any charges incurred under the service order and this tariff prior to termination. The rights and obligations which by their nature extend beyond the termination of the term of the service order shall survive such termination."

Original Page 2 2.1.E—The Company should add a number 3 and include the following language-- "the Customer is using the service in violation of Commission Rules and Regulations."

Original Page 5 2.1.6.E—The Company should include charges for "Premise Visits" in rates section of tariff.

Original Page 12 2.5.1.A—The Company should add the following language at the end of the paragraph—"These taxes and/or charges will appear as separate line items on the customer bill."

Original Page 13 2.5.4.A Numbers 1 & 2—The Company will delete in its entirety and substitute the following language— "For a new Customer, a maximum deposit may be required up to an amount equal to an estimated two (2) months (60 days) total bill

(including toll and taxes). For an existing customer, a maximum deposit may be required up to an amount equal to the total actual bills of the highest two (2) consecutive months within the preceding six (6) months." (SC Reg 103-621.2)

---The Company will also include language consistent with SC Reg 103-621. These regulations are used to determine who the Company may require a deposit.

Original Page 14 2.5.4.D—The Company will delete in its entirety and substitute the following language-- "Simple interest on deposits at the rate not less than that as prescribed by the commission shall be paid by the telephone utility to each customer required to make such deposit for the time it is held by the telephone utility. The interest shall be accrued annually and payment of such interest shall be made to the customer at least every two years and at the time the deposit is returned. The deposit shall cease to draw interest on the date it is returned, the date service is terminated, or on the date notice is sent to the customer's last known address that the deposit is no longer required." SC Reg 103-621.3

Original Page 14 2.5.5.A—The Company will delete in its entirety and substitute the following language-- "Service may be terminated for non-payment of a bill, provided the telephone utility has made a reasonable attempt to effect collection and has given the customer written notice that he has five days in which to make settlement on his account or have his service disconnected. Service will be terminated only Monday through Thursday between the hours of 8:00am and 4:00pm, unless provisions have been made to have someone available to accept payment and reconnect service." SC Reg 103-633

Original Page 15 2.5.5—The Company should add a letter "H" and include the following language-- "Service may also be discontinued for any violation found in SC Regulation 103-625".

Section 3 Application of Rates

--There are no recommended changes.

Section 4 Service Areas

--There are no recommended changes.

Section 5 Exchange Access Service

Original Page 2 5.2-- Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 3 5.3-- This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 4 5.4-- This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 5 5.5--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 6 5.6--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 8 5.7.3--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 9 5.7.5--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Section 6 Exchange Access Optional Features

Original Page 1 6.1--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 2 6.2--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 3 6.3.2--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.
Original Page 4 6.4--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 5 6.5--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Original Page 5 6.6.2--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Section 7 Resold Local Exchange Service

Original Page 1 7.2--This Service will need a maximum as well as a current rate for Non-Recurring and Monthly Recurring Charges.

Section 8 Local Calling Service

Original Page 2 8.2.1.B—If this is a residential service, it will need maximum as well as current rates for all.

Section 9 Intralata Calling Service

Original Page 2 9.3—If this is a residential service, it will need a maximum as well as a current rate for all.

Section 10 Miscellaneous Services

Original Page 5 10.3.2—This Charge will need a maximum as well as a current rate.

Original Page 5 10.4.2—This Charge will need a maximum as well as a current rate.

Section 11 Special Arrangement

Original Page 2 11.2—The Company will add the following language at the end of the paragraph-- "All ICB's will be made available to the ORS upon request."

Original Page 2 11.3—The Company will add the following language at the end of the paragraph— "All promotionals will be filed with the Commission and copies will be provided to the ORS."

Additional Recommendations

1) **The following language should be added to the tariff per Commission Order 95-658:**

As a telephone utility under the regulation of the Public Service Commission of South Carolina, the Company hereby asserts and affirms that as a reseller of intrastate telecommunications service, the Company will not indulge or participate in deceptive or misleading telecommunications marketing practices to the detriment of consumers in South Carolina, and the Company will comply with those marketing procedures, in any, set forth by the Public Service Commission. Additionally, the Company will be responsible for the marketing practices of its contracted telemarketers for compliance with this provision. The Company understands that violation of this provision could result in a rule to Show Cause as to the withdrawal of its certification to complete intrastate telecommunications traffic within the state of South Carolina. (Commission Order 95-658)

2) **The Company should include language referencing adjustment of customer billing consistent with SC Reg. 103-623.**

3) **The Company should also provide tariffs and tariff revisions to the South Carolina Public Service Commission as well as the South Carolina Office of Regulatory Staff (SC Reg. 103-629).**